Financial Transactions and Reports Analysis Centre of Canada

For the period ending March 31, 2011

Departmental Performance Report

The Honourable James M. Flaherty
Minister of Finance

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Director's Message

I am pleased to present the Departmental Performance Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for 2010-11.

FINTRAC is an intelligence agency with a mandate to produce financial intelligence for the benefit of criminal and national security investigations. We are a resource for law enforcement, national security agencies, the Canada Revenue Agency, the Canada Border Services Agency, and federal public safety policy makers with a unique ability to follow the criminal money trail across the country and around the world. With more than ten years of operational experience, FINTRAC has gained key insights into the potential of financial intelligence to connect the money to the crime or suspected terrorist activity.

Our results over the past year have been built on steady improvements to the Centre's legislative framework, our operational methods, and in the uptake of our financial intelligence products by our investigative partners.

In 2010-11 FINTRAC made 777 disclosures of cases on suspected money laundering and terrorist financing, representing a tripling of output over the past three years. This remarkable achievement is largely due to improvements to our mechanisms for defining and prioritizing partners' intelligence requirements. It is also the result of the excellent work of our analytical team, coupled with more streamlined business processes and the continuous upgrading and enhancement of our technology. These enhancements have allowed FINTRAC analysts to better understand and respond to the needs of investigative and intelligence partners and to focus on the cases of highest importance.

We also placed great emphasis on the production of strategic intelligence, where we look at the trends and typologies of money laundering and terrorist financing. A key success during the year was the third report in FINTRAC's Typologies and Trends Report series entitled *Money Laundering and Terrorist Financing Trends in Canadian Money Services Businesses (MSBs).*

Our compliance program continued to work with reporting entities, to ensure that effective measures are adopted in a variety of business sectors. By improving compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, we are ensuring that there is better information available for analysis and a stronger deterrent to these crimes within the Canadian financial system.

As FINTRAC embarks on its second decade of existence, we will continue to seek new ways to realize the potential of financial intelligence, to strengthen our operations, and to

support the Canadian financial system in becoming more resistant to the plagues of money laundering and terrorist activity financing.

Jeanne M. Flemming
Director

SECTION I: ORGANIZATIONAL OVERVIEW

Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was legislated into existence in July 2000 to be Canada's financial intelligence unit. The Centre exists to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's 'value-added' financial intelligence products and compliance functions are a unique contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.

FINTRAC is an independent agency that operates at arm's length from the law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC was established and operates within the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its regulations.

FINTRAC is one of several domestic partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime, which also includes the Department of Finance as the policy lead, the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), the Canada Revenue Agency (CRA), the Canada Border Services Agency (CBSA), the Office of the Superintendant of Financial Institutions (OSFI), the Public Prosecution Service of Canada, the Department of Justice, and Public Safety Canada. FINTRAC is also part of the Egmont Group, an international network of financial intelligence units that collaborate to combat money laundering and terrorist activity financing.

FINTRAC's Mission

To contribute to the public safety of Canadians and help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

FINTRAC's Vision

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

Responsibilities

As Canada's financial intelligence unit, FINTRAC is a specialized agency which undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

FINTRAC's mandate is to facilitate the detection, prevention and deterrence of money laundering, and terrorist activity financing by engaging in the following activities:

- **Receiving, collecting** and **analyzing information** on suspect financial activities;
- **Disclosing tactical financial intelligence** to the appropriate police service, CSIS, or other agencies designated by legislation in support of investigations and prosecutions;
- **Producing** and **disseminating strategic financial intelligence** to inform government policy and decision makers, as well as reporting entities about money laundering and terrorist financing trends, methods and issues;
- **Ensuring compliance** of reporting, record keeping and other obligations by those subject to the PCMLTFA; and
- **Enhancing public awareness** and understanding of matters related to money laundering.

These activities are conducted while ensuring the protection of the personal information under FINTRAC's control.

FINTRAC's headquarters are located in Ottawa, with three regional offices in Montreal, Toronto and Vancouver having specific mandates related to compliance with the PCMLTFA.

Strategic Outcome and Program Activity Architecture (PAA)

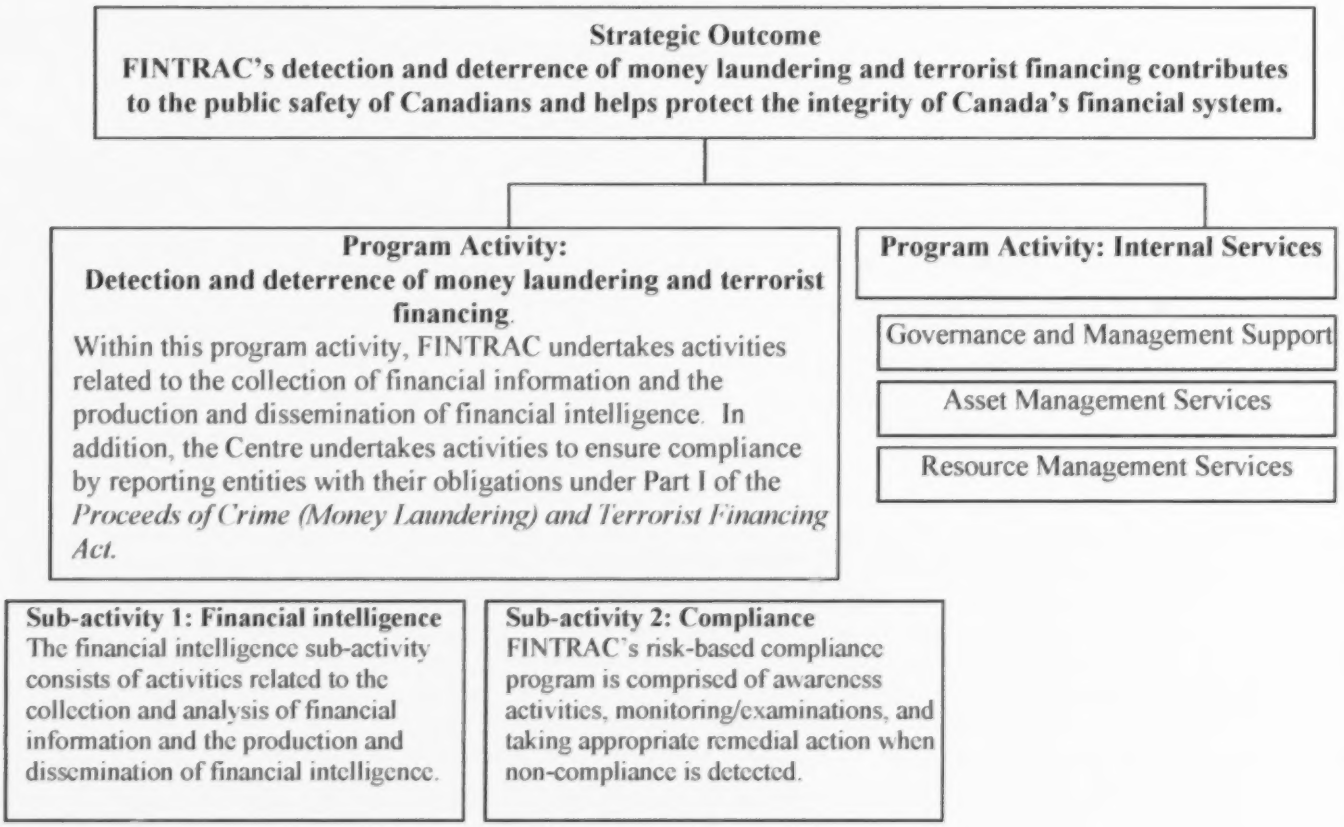
Strategic Outcome

To effectively pursue its mandate, FINTRAC aims to achieve the following strategic outcome:

> FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Program Activity Architecture

The chart below illustrates FINTRAC's complete framework of the program activities and sub-activities that contribute to the Agency's Strategic Outcome.


Strategic Outcome
FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.
Program Activity:
Detection and deterrence of money laundering and terrorist financing.
Within this program activity, FINTRAC undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part I of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
Program Activity: Internal Services
Governance and Management Support
Asset Management Services
Resource Management Services
Sub-activity 1: Financial intelligence
The financial intelligence sub-activity consists of activities related to the collection and analysis of financial information and the production and dissemination of financial intelligence.
Sub-activity 2: Compliance
FINTRAC's risk-based compliance program is comprised of awareness activities, monitoring/examinations, and taking appropriate remedial action when non-compliance is detected.

Organizational Priorities

Operational Priority:	Type:	Strategic Outcome:
Align our financial intelligence products more closely with our partners' needs and identify emerging money laundering and terrorist financing trends.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- During the year, the Centre continued to make improvements to its mechanisms for defining, prioritizing and aligning with partners' intelligence requirements. These enhancements have allowed FINTRAC analysts to better understand and respond to the needs of investigative and intelligence partners and to focus on the cases of highest importance.
- FINTRAC also continued to work with its partners in the security and intelligence community to establish priorities for FINTRAC's strategic financial intelligence assessments, briefs and reports. As a result, the financial intelligence produced and disseminated by the Centre was often tailored to the needs of specific government policy and decision makers for information about key issues, methods, trends and case studies in money laundering and the financing of terrorism.

Operational Priority:	Type:	Strategic Outcome:
Refine our risk-based compliance program.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- FINTRAC's compliance program ensures that the Centre receives the quality and quantity of financial information it needs to analyze and disclose on cases of suspected money laundering and terrorist financing. By working with reporting

entities to ensure their compliance with PCMLTFA obligations, the Centre's compliance program also serves as a deterrent for those who would attempt to use Canada's financial systems for money laundering and terrorism financing purposes.

- Within the compliance program, examinations continue to be the primary method of compliance assessment. During the year, FINTRAC made a number of enhancements with the aim of increasing compliance within higher risk sectors and key market players in particular. The Centre also developed a financial conglomerate (FINCO) strategy that provides for the regular assessment of the largest financial institutions.
- In 2010-11, FINTRAC also initiated strategic investments to enhance its risk-based compliance program. These investments were made to improve the delivery of enforcement activities as well as activities designed to support and facilitate compliance among reporting entities.

Operational Priority:	**Type:**	**Strategic Outcome:**
Enhance collaboration with our partners and stakeholders.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- FINTRAC continues to foster and strengthen its bilateral and multilateral relationships with international partners through the delivery of technical assistance, activities with key international organizations, such as Financial Action Task Force (FATF) and the Egmont Group, and the signing of new MOUs with counterpart financial intelligence units.
- In 2010-11, FINTRAC continued to be actively involved with the Egmont Group of Financial Intelligence Units. During the year, FINTRAC's Director continued to serve as Vice-Chair of the Egmont Group, and Chair of the Training Working Group (TWG). By undertaking a leadership role in the TWG, FINTRAC aims to leverage the training work being done by the Egmont Group as a means of carrying out FIU related technical assistance to the widest possible number of international partners.
- FINTRAC also broadened its capacity to seek information from foreign FIUs by signing eleven information-sharing MOUs, bringing the total number of MOUs with international tactical partners to 73. FINTRAC will now be able to exchange tactical information about money laundering and terrorist financing with the FIUs of the following countries: Belize, British Virgin Islands,

Dominica, Grenada, Macedonia, Malta, the Netherlands Antilles (now the Curacao FIU), Saint Lucia, San Marino, Senegal and Serbia.

- Building on the success of last year's reporting entity workshop in Toronto, FINTRAC organized a similar event in Montreal in order to provide those on the front lines with feedback on how the information they provide to FINTRAC is utilized in the fight against money laundering and terrorist financing. In addition, the Centre also made a number of presentations focussing on the results of its trends and typologies reports at other conferences attended by various reporting entities. These sessions provided additional feedback and information on how specific sectors are used for money laundering and terrorist financing and supported reporting entities in their training and risk management programs.
- FINTRAC also continues to foster and strengthen its relationships with domestic law enforcement and intelligence partners through initiatives such as continued secondee exchanges, joint efforts to develop and update indicators and newly acquired access to databases maintained for law enforcement and intelligence purposes.

Operational Priority:	**Type:**	**Strategic Outcome:**
Pursue policy and legislative opportunities to strengthen the AML/ATF regime.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- FINTRAC continues to support the Department of Finance in fulfilling its lead role in managing the policy and legislative direction of Canada's AML/ATF Regime.
- In 2010-11, FINTRAC provided input for the *10-Year Evaluation of Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime* by working with AML/ATF Regime partners, under the leadership of the Department of Finance, to ensure the evaluators had access to the information, data, and persons necessary to conduct, assess, and report on the AML/ATF Regime. Within the evaluation findings, FINTRAC is portrayed in a positive light, including many positive comments on the Centre's strategic intelligence work, and its activities both to produce tactical disclosures and ensure compliance.
- For the AML/ATF Regime as a whole, the evaluation report concludes that

"Overall, there were improvements in Canada's AML/ATF performance over the past 10 years. The Regime likely contributed to the creation of an environment that is hostile to ML/TF and/or that has been effective in deterring ML/TF. It seems that the Regime has reduced the profitability of crime by deterring ML, and has reduced the likelihood of terrorist activities by deterring TF". The evaluation report contained three broad recommendations directed at the overall Regime. The Department of Finance is coordinating the follow-up to the recommendations with appropriate contributions from AML/ATF Regime partners.

Operational Priority:	**Type:**	**Strategic Outcome:**
Be innovative in our approach to operational processes to maximize our efficiency and effectiveness.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- In 2010-11, FINTRAC continued to place emphasis on developing a range of tools to improve text and data mining, and geospatial analytical capacities in order to effectively maximize the use of the agency's data holdings. These improvements to FINTRAC's suite of analytic tools have led to a number of advancements in the Centre's procedures, processes and systems, and have allowed the Centre to improve the timeliness of both strategic and tactical research while maintaining a high level of quality and value of the information being provided.
- In addition, the Centre replaced and upgraded its batch reporting system, which is responsible for the receipt of 95% of the agency's reports. The new solution employed by the Centre is both more reliable, more secure and should provide enough flexibility to accommodate all future business requirements.
- The Centre was also able to take advantage of significant price discounts to replace its two HP Superdomes. The Superdomes are vital to FINTRAC operations as virtually the entire suite of FINTRAC applications run on these servers. FINTRAC had originally purchased the Superdomes in 2001 and 2002 with a normal life expectancy for these servers of approximately eight years. Replacement of these servers offers FINTRAC improved performance and reliability along with lower maintenance costs. The decision to replace the Superdomes in 2010-11 eliminates a sharp increase in infrastructure costs forecast in FINTRAC's IM/IT evergreening plan for future years.

Management Priority:	Type:	Strategic Outcome:
Promote excellence in our workforce and strengthen our management and human resources framework.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Status: Met All

- FINTRAC strives to be an "employer of choice" with an engaging work environment that encourages excellence, offers competitive salaries and benefits, provides continuous learning and career development opportunities, and demonstrates its commitment to work/life balance. The Centre also endeavours to maintain excellence in all of its corporate policies and practices and to ensure that resources are efficiently aligned with business priorities.
- FINTRAC continues to review and update corporate policies and controls, aligning them with government priorities. The Centre is aligning its Code of Conduct and Ethics with the forthcoming Public Sector Values and Ethics Code. Focus groups for employees clarified, where necessary, the behavioural indicators associated with its values.
- The Centre also created a senior level Internal Audit and Evaluation Committee (IAEC) to serve as an internal advisory body. The IAEC provides a forum for discussion of issues arising from relevant audits, evaluations and risk assessments.

Risk Analysis

As Canada's financial intelligence unit and a partner in Canada's Anti-Money Laundering/Anti-Terrorist Financing Regime, FINTRAC is a unique organization and will continue to face unique challenges. In seeking to be proactive in identifying risks and opportunities, FINTRAC must anticipate and assess external risk factors that can affect the design and delivery of its program and the achievement of its strategic outcome. Additionally, FINTRAC must identify factors and risks which could adversely affect its ability to effectively manage internal operations and management.

A Corporate Risk Profile helps establish a direction for managing corporate risks. It is influenced by and linked to FINTRAC's operating environment as well as the Centre's current operations and resource capacity. When updating the Corporate Risk Profile, risk information from both the corporate and operational levels was analysed to understand the key characteristics and broad range of internal and external risks facing the Centre. The relationship between the Corporate Risk Profile and FINTRAC's commitment to strengthening performance management discipline plays a significant role in FINTRAC's strategic planning process.

The 2010-2011 planning period was shaped by a number of important considerations for FINTRAC. The Centre's operations were guided by the outcomes and action plans articulated in the 2009-2012 Strategic Plan and the coming into force of requirements brought about by amendments to the PCMLTFA.

During the fiscal year, FINTRAC was also an active participant in the *10-Year Evaluation of Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime*. This comprehensive evaluation assessed the relevance, success and cost effectiveness of the Regime and within the evaluation findings, portrayed FINTRAC in a positive light, including many positive comments in regard to the Centre's strategic intelligence work, and its activities both to produce tactical disclosures and ensure compliance.

Under Budget 2010, FINTRAC received additional funding from Parliament to enhance the Compliance and Tax Evasion portions of its mandate. FINTRAC allocated part of the new funding to new hires in order to meet the expansion of its role. A key risk faced during the year was in recruiting appropriate numbers of additional staff with the specific competencies required to support, deliver and manage the Centre's expanded program. To mitigate these risks, selection criteria were linked to job requirements and a comprehensive assessment of candidates' knowledge, experience and abilities was performed to ensure that the organization attracts the talent necessary to fulfill its evolving mandate.

Summary of Performance

2010–11 Financial Resources ($ Millions)

Planned Spending	Total Authorities[1]	Actual Spending
49.8	56.2	50.9

2010–11 Human Resources (FTEs)

Planned	Actual	Difference
315	310	(5)

Strategic Outcome:

FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Performance Indicators	Targets	2010–11 Performance
Number of case disclosures and strategic products that assist and/or are used in investigations and other actions by law enforcement, intelligence agencies and prosecutors.	Stable or increasing number of case disclosures used in investigations and other actions.	In 2010-11, FINTRAC disclosed 777 cases of suspected money-laundering, terrorist financing and threats to the security of Canada to law enforcement and security partners. This is a significant increase over the 579 cases disclosed in 2009-10 and the 556 cases disclosed in 2008-09. In 2010-11, the average timeliness of case analysis improved by 18% decreasing from 68 days to 56 days. This was achieved by improved business processes and a greater understanding of partner needs. The Centre also continued to fulfill the needs of various partners and stakeholders in producing and disseminating a wide range of strategic financial intelligence assessments, briefs and reports. These products served to inform government policy and decision makers, as well as reporting entities about money laundering and terrorist financing issues, methods, indicators and case studies which enabled them to better combat money laundering and terrorist financing. One example during the year was the third

[1] Budget 2010 committed $8 million in on-going funding to FINTRAC to enhance the organization's ability to ensure compliance with the PCMLTFA, as well as additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering. In order to effectively manage these funds, FINTRAC sought a funding profile wherein $4.5M was moved to future years; therefore, the organization will be receiving $3.5 million, rather than $8 million, in 2011-12.

		report in FINTRAC's Typologies and Trends Report series entitled Money Laundering and Terrorist Financing Trends in Canadian Money Services Businesses (MSBs). This document was published in July 2010 to better enable MSBs and other reporting entities and partners to recognize and combat money laundering and terrorist financing more effectively.
Degree of involvement of reporting entities and other entities with obligations in the Anti-Money Laundering / Anti-Terrorist Activity Financing (AML/ATF) regime.	Increasing number of participants in FINTRAC's information sessions, the number of hits on the Web site, and the number of calls to the Call Centre	Beginning in 2009-10 and continuing during this fiscal year, FINTRAC has embarked on a compliance strategy that places increased emphasis on compliance enforcement interventions. As a result, the Centre has provided fewer, but more targeted and focused outreach activities and has promoted the self-service tools available on the FINTRAC Web site as an effective approach for reporting entities to find guidance on common examination deficiencies and responses to frequently asked questions in relation to the Act and Regulations. One of the key outreach events during the year was the November 2010 workshop hosted by FINTRAC in Montreal with the theme "Establishing the Links." This workshop built on the success of a similar event held in Toronto in 2009. More than 100 representatives from the banking, credit union /caisse populaire, insurance, securities and MSB sectors in Quebec and eastern Canada attended the workshop. Presenters from FINTRAC, the RCMP, the Sûreté du Québec and the Public Prosecution Service of Canada spoke to the importance of suspicious transaction reporting, and to the unique contribution of financial intelligence in supporting investigations and prosecutions. In 2010-11, FINTRAC responded to a total of 4,868 inquiries from calls and emails initiated by reporting entities. This marks an increase of inquiries of 32.5% over last year (3,673 inquiries), and can be explained in part by the Money Services Businesses registration renewals, which started in June 2010.

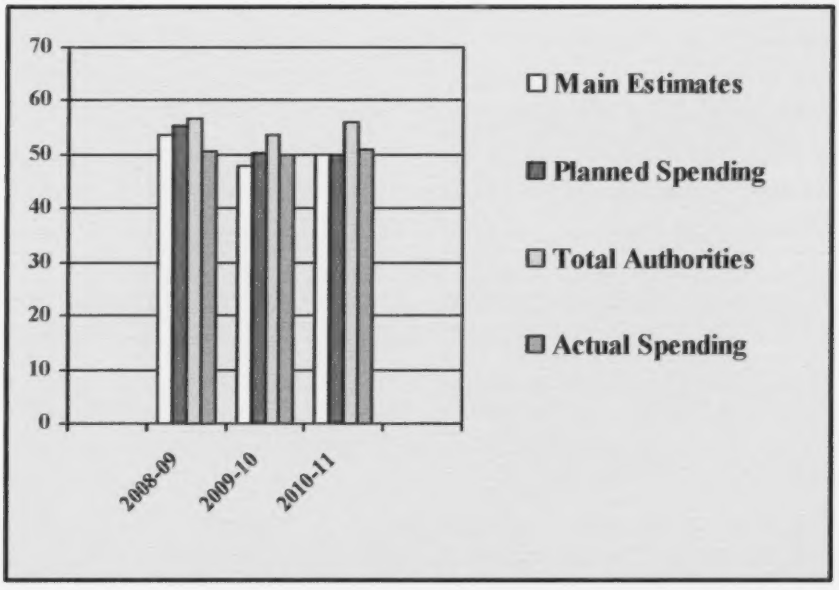
($ Millions) Program Activity	2009–10 Actual Spending	2010–11				Alignment to Government of Canada Outcome
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Detection and deterrence of money laundering and terrorist financing	42.4	42.4	42.3	48.0	42.1	Safe and secure communities
Total	42.4	42.4	42.3	48.0	42.1	

Program Activity	2009–10 Actual Spending	2010–11			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending
Internal Services	7.5	7.3	7.5	8.2	8.8

Expenditure Profile

Departmental Spending Trend

($ millions)



In 2008-09, the total funding available for FINTRAC was $56.8M, including an amount of $5.1M reprofiled from 2007-08 for new initiatives related to the National Initiative to Combat Money Laundering (NICML, now AML/ATF Regime). FINTRAC received funding for the new initiatives called for by the December 2006 amendments to the PCMLTFA; however, as the coming into force dates of these initiatives gradually occurred over the following three fiscal years, important reprofiling of funds was prompted, which explains the apparent peak in resourcing in this fiscal year. Actual spending for 2008-09 was $50.6M.

The resources available for spending in 2009-10 were $53.7M, including an amount of $1.85M reprofiled from 2008-09 for the Business Continuity Plan's disaster recovery site ($1.25M) and for the contribution for the establishment of the Egmont Group Secretariat in Toronto ($0.6M). Actual Spending for 2009-10 was $49.9M.

The total resources available for spending in 2010-11 were $56.2M, including the reprofiled resources from 2009-10 for the Business Continuity Plan's disaster recovery site ($1.25M). With additional funding received in Budget 2010, FINTRAC is investing $3.5M in 2010-11 in technologies to enhance key business functions essential to ensure compliance with PCMLTFA, and additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering under Canada's tax statutes. This explains the slight increase in total authorities in 2010-11 over the previous fiscal year. Actual spending for 2010-11 was $50.9M.

Estimates by Vote

For information on our organizational votes and/or statutory expenditures, please see the 2010–11 Public Accounts of Canada (Volume II) publication. An electronic version of the Public Accounts is available at http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html.

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Strategic Outcome

FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Program Activity: Detection and Deterrence of Money Laundering and Terrorist Financing

Program Activity Description:

Within this program activity, FINTRAC undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part I of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

2010–11 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
42.3	48.0	42.1

2010–11 Human Resources (FTEs)

Planned	Actual	Difference
268	261	(7)

Expected Results	Performance Indicators	Targets	Performance Status
Law enforcement, intelligence agencies and prosecutors received timely and relevant tactical and strategic financial intelligence useful for further actions in investigations and other actions.	Satisfaction expressed by law enforcement and security agencies with the usefulness of case disclosures and strategic information products.	On feedback forms, recipients of information rate the information as useful and timely.	In 2010-11, FINTRAC disclosed 777 cases of suspected money laundering, terrorist financing and threats to the security of Canada to law enforcement and security partners. In addition, the average timeliness of case analysis improved by 18% decreasing from 68 days to 56 days. This achievement was largely due to the work of FINTRAC's analytical team, coupled with more streamlined business

			processes and the continuous upgrading and enhancement of the Centre's technology. In response to demand from the Canadian security and intelligence community, FINTRAC continued to publish a number of classified *Financial Intelligence Assessments and Briefs* which involved an extensive review of cases and reports associated with countries of concern and/or terrorist groups of interest. FINTRAC also contributed to a number of security and intelligence community papers that served to inform senior government officials on a range of relevant subjects.
Reporting entities are in compliance with the PCMLTFA and related regulations.	Level of compliance by reporting entities with the PCMLTFA.	High level of compliance.	In 2010-11, examinations continued to be a primary method of compliance assessment for FINTRAC to ensure that reporting entities are complying with their obligations under anti-money laundering and anti-terrorist financing legislation. Over the past year, FINTRAC has implemented a number of enhancements to the Centre's current examination plan. The aim was to enhance compliance efforts in the higher risk sectors. During the year, the Centre completed 684 examinations of which 376 (55%) were onsite examinations and 308 (45%) were desk examinations. The Administrative Monetary Penalties (AMP) program continued to encourage change in non-compliant behaviour. In its second year of implementation, an additional eight AMPs have been publicly named on the FINTRAC Web site, and one non-compliance disclosure was submitted to law enforcement.

Performance Summary and Analysis of Program Activity

Detection of Money Laundering and Terrorist Financing

In 2010-11 FINTRAC increased its production of case disclosures of financial intelligence. During the period, the Centre made 777 case disclosures, of which 626 were associated with money laundering, 103 with terrorist financing and other threats to the security of Canada, and 48 with associations to both money laundering and terrorist financing. The number of case disclosures is a substantial increase compared to the 579 cases disclosed in 2009-10 and the 556 cases disclosed in 2008-09.

FINTRAC's disclosures are an important source of intelligence that assist in investigations of cases of suspected money laundering and terrorist financing. During the year, FINTRAC experienced a sharp increase in the number of voluntary information records (VIRs) received from law enforcement and intelligence partners. VIRs are used by the Centre's investigative partners to signal priority investigations where financial intelligence could make an important contribution. In 2010-11, FINTRAC received a total of 1186 VIRs and the total received from law enforcement and intelligence partners increased by over 38%.

The Centre also continued to make improvements to its analytical processes and realigned internal processes and operating structure to better understand and respond to the needs of investigative and intelligence partners. These enhancements have allowed FINTRAC analysts to focus on the cases of highest importance as well as improve the timeliness of case disclosures. In 2010-11, the average time to complete the analysis of a case improved to 56 days. This was a substantial improvement from 68 days in 2009-10 and 82 days in 2008-09. In addition, FINTRAC continued to improve its detection and selection of proactive cases where no known current investigations may be occurring.

FINTRAC achieved these results while continuing to receive positive feedback from law enforcement and security partners on the usefulness, relevance and timeliness of case disclosures.

FINTRAC also continued to enhance its production of strategic financial intelligence in keeping with its strategic priorities. Strategic financial intelligence is the end product of an extensive analytical process that takes financial information, combines it with context drawn from open source information and other forms of intelligence, to produce a deeper understanding of the various activities, behaviours and environments associated with money laundering and terrorist financing.

Using the Centre's sophisticated research tools and technologies, FINTRAC's strategic intelligence analysts are increasingly able to understand and contextualize the financial behaviour of entities and countries of concern. The resulting products support public understanding, and domestic and international efforts by law enforcement, intelligence agencies, policy makers, as well as FINTRAC's tactical and compliance analysts.

In 2010-11, FINTRAC disseminated a number of classified strategic intelligence assessments and briefs to domestic and international government partners. These documents, based on extensive reviews of case disclosures and reports, deal with sensitive issues, including specific risks and threats that may undermine the Canadian and international financial systems.

During the year, the Centre also produced the third report in FINTRAC's Typologies and Trends Report series entitled *Money Laundering and Terrorist Financing Trends in Canadian Money Services Businesses (MSBs)*. This document was published in July 2010 to better enable MSBs and other reporting entities and partners to recognize and combat money laundering and terrorist financing more effectively.

Ensuring Compliance by Reporting Entities

FINTRAC's compliance program works with reporting entities and other key stakeholders to make Canada's financial system stronger and more resistant to those that would abuse it to launder money or carry out terrorist activity financing. The Centre's objectives are to ensure that reporting entities are complying with obligations under AML/ATF legislation, and to improve the quality and quantity of report data the Centre receives to support the production of case disclosures of financial intelligence and strategic analysis.

FINTRAC's risk-based compliance program employs a stratification framework to tailor its compliance activities in accordance with assessed risks. As part of this framework, the Centre assesses risk by evaluating both the likelihood of non-compliance within a given sector, as well as the potential impact or harm of any non-compliance. FINTRAC uses this risk assessment to establish compliance priorities.

In 2010-11, FINTRAC employed a strategy that placed increased emphasis on compliance enforcement interventions. As such, examinations were the primary method of compliance assessment for the Centre that ensured reporting entities were complying with their anti-money laundering and anti-terrorist financing obligations. FINTRAC completed a total of 684 examinations of reporting entities during 2010-11. During the year, the Centre conducted 376 (55%) onsite examinations, and 308 (45%) desk examinations of businesses and individuals within the financial services, securities and money services businesses sectors.

Outreach activities to reporting entities continued in a more focussed and targeted manner. A key highlight during the year was the November 2010 workshop hosted by FINTRAC in Montreal with the theme "Establishing the Links." This workshop built on the success of a similar event held in Toronto in 2009 and was attended by over 100 representatives from the banking, credit union/caisse populaire, insurance, securities and MSB sectors in Quebec and eastern Canada. Presenters from FINTRAC, the RCMP, the Sûreté du Québec and the Public Prosecution Service of Canada spoke to the importance of suspicious transaction reporting, and to the unique contribution of financial intelligence in supporting investigations and prosecutions.

The Administrative Monetary Penalties (AMP) program continued to encourage change in non-compliant behaviour. In its second year of implementation, an additional eight reporting entities were publicly named on the FINTRAC Web site, after having been issued a Notice of Violation, bringing the total number to 15 listed names. In addition, one Non-Compliance Disclosure (NCD) was submitted to law enforcement during the year, bringing the total number to 35 NCDs issued to date.

FINTRAC's MSB registry continued to allow the general public the opportunity to search for publicly available information about MSBs in 2010-11. During the year, there were 183 newly registered MSBs, and 347 mandatory renewals, bringing the MSB registry total to 955.

Lessons Learned

The value of FINTRAC's disclosures of financial intelligence has long been recognized by recipients in law enforcement, but more recently the Centre has also been able to increase its assistance to other recipients as well. For example, in the last three years, FINTRAC has sharply increased the number of case disclosures made to the Canada Revenue Agency (CRA). These disclosures have been used for criminal investigations into tax matters and also by their Special Enforcement Program, which targets those persons suspected of deriving taxable income from such crimes as commercial fraud and drug trafficking.

Feedback from the CRA has indicated that FINTRAC's disclosures have been useful to them in carrying out their investigations and audits, and in recovering millions of dollars in federal taxes.

Recent changes to the *Criminal Code Regulations* made tax evasion a predicate offence to money laundering. As a result, the Centre can now identify the laundering of money generated by tax evasion for building a case disclosure to send to law enforcement. FINTRAC may also disclose designated information to the CRA where it also has reasonable grounds to suspect the information is relevant to a tax evasion offence.

In Budget 2010, FINTRAC received additional funding to help fight tax evasion. Over the past year, FINTRAC analysts have received in-depth training on the impact of these legislative and regulatory changes and have worked closely with CRA specialists on tax evasion with respect to recognizing the trends and techniques of tax evasion.

With the recent changes in the law, the additional funding and with the specialized training program received from the CRA, FINTRAC is now well equipped to provide more information to help tax investigators with their tax evasion cases.

Strategic Outcome

FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Program Activity: Internal Services

2010–11 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
7.5	8.2	8.8

2010–11 Human Resources (FTEs)

Planned	Actual	Difference
47	49	2

Performance Summary and Analysis of Program Activity

Promoting excellence in FINTRAC's workforce and strengthening the management and human resource framework is a priority for the Centre. During 2010-11, FINTRAC had a number of key achievements within the program activity of internal services.

Human Resources

In 2010-11, FINTRAC hired 69 new employees. Selection criteria linked to job requirements and a comprehensive assessment of candidates' knowledge, experience and abilities ensures that the organization attracts the talent necessary to fulfill its evolving mandate.

Employee development opportunities are an important component of retention and succession management. Employees complete an individual learning plan, which identifies learning opportunities to support them in their current role and for their career development. In 2010-11, a number of corporate learning opportunities were offered, which emphasized communication, values and ethics, well-being, and the management of change. FINTRAC also held its first Awards and Recognition Ceremony recognizing excellence, leadership, initiative/innovation, teamwork, and work in the community.

FINTRAC continues to review and update corporate policies and controls, aligning them with government priorities. For example, the Centre is aligning its Code of Conduct and Ethics with the forthcoming Public Sector Values and Ethics Code. Focus groups for

employees clarified, where necessary, the behavioural indicators associated with its values.

Resource Management

The Centre created a senior level Internal Audit and Evaluation Committee (IAEC) to serve as an internal advisory body. The IAEC provides a forum for discussion of issues arising from relevant audits, evaluations and risk assessments and assists in determining if the existing plans and products are sufficient or if additional effort is recommended.

Security

FINTRAC revised its Security Policy and developed a comprehensive Departmental Security Plan that meets current Treasury Board requirements. The Centre also strengthened security review measures for contracting.

Accommodation

To accommodate the additional staff hired during the period, FINTRAC undertook a series of space optimization projects, both at the offices in Ottawa and at all of its Regional Offices, in order to prepare work space for the new employees. The priorities of each office's space allocation were revised to permit the installation of new work space at each location.

Concurrent with the installation of new work space, the Centre also undertook an ever-greening program of its furniture inventory. In completing this project, FINTRAC was able to utilize existing furniture from its inventory in many of its space optimization projects and disposed of 75% of the remaining dormant furniture inventory in order to reduce storage costs.

SECTION III: SUPPLEMENTARY INFORMATION

Financial Highlights

($ Thousands)

Condensed Statement of Financial Position At end of Fiscal Year (March 31, 2011)	% Change	2010-11	2009–10
ASSETS			
Accounts Receivables and Advances[2]	339.87%	1,368	311
Prepaid Expenses[3]	78.75%	976	546
Tangible Capital Assets	-13.61%	14,621	16,924
Amount due from the Consolidated Revenue Fund	11.74%	4,159	3,722
Total Assets	-1.76%	21,124	21,503
TOTAL	-1.76%	21,124	21,503
LIABILITIES			
Accounts Payables and accrued liabilities	9.25%	4,369	3,999
Vacation pay and compensatory leave	15.28%	1,147	995
Employee severance benefits	-2.27%	6,126	6,268
Total Liabilities	3.37%	11,643	11,263
EQUITY	-7.40%	9,482	10,240
Total Equity	-7.40%	9,482	10,240
TOTAL	-1.76%	21,124	21,503

($ Thousands)

Condensed Statement of Financial Operations At end of Fiscal Year (March 31, 2011)	% Change	2010-11	2009-10
EXPENSES			
Contribution[4]	-42.86%	800	1,400
Operating Expenses	2.72%	54,358	52,919
Total Expenses	1.54%	55,158	54,319
REVENUES			
Revenues not available for spending[5]	-48.31%	92	178
Total Revenues	-48.31%	92	178
NET COST OF OPERATIONS	1.71%	55,066	54,141

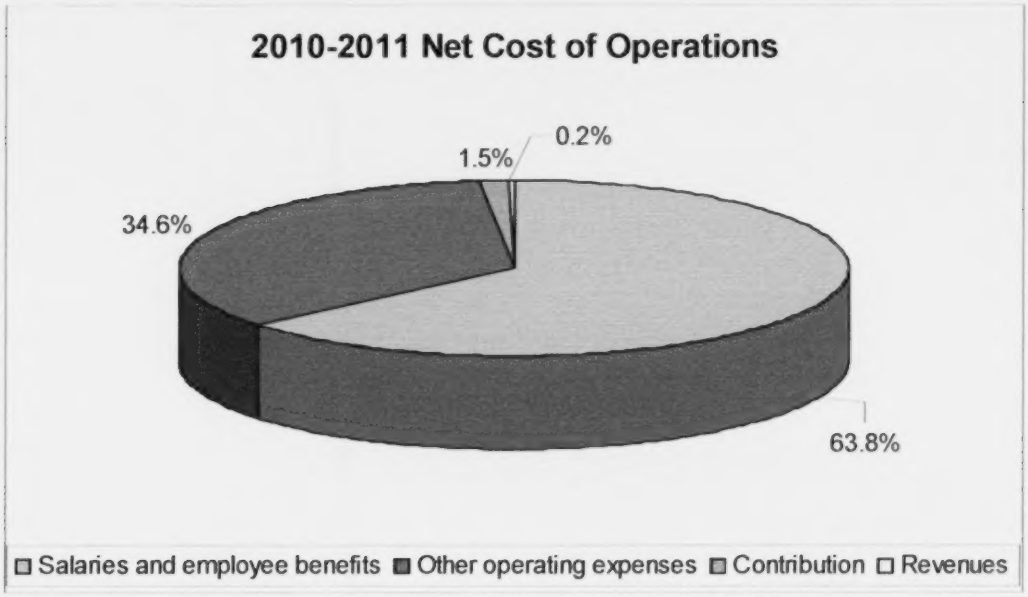
[2] The increase in accounts receivable is due to outstanding GST refundable amounts from Canada Revenue Agency (CRA).

[3] The increase in prepaid expenses is due to purchases at year-end for assets with associated maintenance expenses. (In 2010-11, the cost of maintenance expenses also increased.)

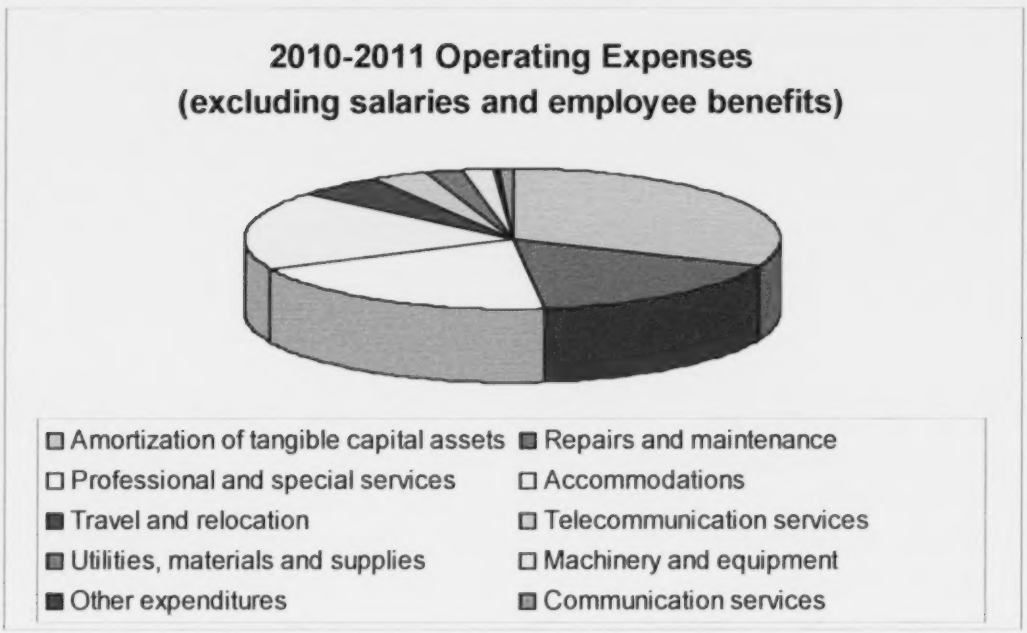
[4] The decrease in contribution expenses reflects the decline in funding requirements for the set-up and initial operations of a permanent Secretariat for the Egmont Group of Financial Intelligence Units (FIUs). FINTRAC's contributions to the Egmont Group sunsetted at the end of fiscal year 2010-11.

[5] The decrease in revenues not available for spending is due to Administrative Monetary Penalties (AMPs) that have been issued, but have been requested to be reviewed or appealed to the Federal Court.

Financial Highlights Charts/Graphs



The net cost of operations for fiscal year 2010-11 was $55.0M, an increase of 1.5% over the previous year's net cost of operation of $54.1M. Salaries and employee benefits, in the amount of $35.2M, represent the largest portion with 63.8% of the total cost. Other operating expenses, in the amount of $19.1M detailed in the chart entitled "2010-11 Operating Expenses (excluding salaries and employee benefits)" on the following page, represent 34.6% of the total cost. The Contribution for the establishment of the Egmont Group Secretariat totalling $0.8M in 2010-11, represents 1.5% of the net cost of operations. Finally, Revenues not available for spending in the amount of $91,786 represents a minimal percentage of total net cost of operations.



Operating expenses, excluding salaries and employee benefits, totalled $19.1M in fiscal year 2010-2011. The largest share of expenses were the amortization of tangible capital assets ($6.0M), professional and special services ($3.8M), accommodations ($3.5M), and repair and maintenance ($3.2M). Other significant costs were travel and relocation, telecommunication services, utilities, material and supplies, machinery and equipment, communication services and other expenditures.

Financial Statements

http://www.fintrac-canafe.gc.ca/publications/reports-rapports-eng.asp#s4

List of Supplementary Information Tables

All electronic supplementary information tables found in the 2010–11 Departmental Performance Report can be found on the Treasury Board of Canada Secretariat's Web site.

- Sources of Respendable and Non-Respendable Revenue
- Horizontal Initiatives
- Response to Parliamentary Committees and External Audits
- Internal Audits and Evaluations

SECTION IV: OTHER ITEMS OF INTEREST

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